

# II.

## Business Report

- 9 I. 2013 Business Operation Results
- 11 II. 2014 Operation Plan Outlines



Looking back at 2013, recovery of global economy remained slightly weak due to the impact of European debt crisis on world economy, concerns for walk-off from U.S. Quantitative Easy (QE) and financial deadlocks and turmoil, slow growth of emerging economy growth, and the impact from political turmoil in Middle East boundaries, which consequently affected Taiwan's trade. Moreover, domestic salary failed to grow and drove the public to become more conservative in terms of willingness to spend. However, starting Q4, global economy showed some signs of faster recovery, where production and consumption indicators continued to grow and result in stabilized employment and commodity prices, suggesting the gradual recovery of Taiwan's economy.

The company has proactively operated the existing postal, saving and life insurance business patterns since the restructuring in 2003, with an annual surplus reaching its expected objectives. The company is committed to provide prevalent and quality postal, saving and life insurance services to everyone to meet the public's demand for basic life. The company offers 1,323 offices distributed in rural and outlying islands, where all postal employees and over nine thousand postmen offer local and courteous services to become the most trustworthy institute for the people.

While facing such a severe external environment plus the need of taking up the tasks of policy, postal operation was quite difficult. However, under the joint efforts of postal employees and active promotion of businesses, the company was able to achieve the operational goal of 2013, which relatively outperformed other benchmark banks and financial holding companies. The 2013 operation results and 2014 operation plan are outlined below:



**President**

*Wang Chong*

## I. 2013 Business Operation Results

### (I) Major Operation Items Estimation and Execution

Operation Item	Unit	Result this Year	Estimation	Result Previous Year	Accomplishment Rate %	Increase over Previous Year %
Mail Operations	1,000 pcs	2,733,116	2,745,058	2,742,006	99.56	-0.32
Philately	Thousand NT\$	764,639	648,176	735,302	117.97	3.99
Postal Savings (Average daily balance)	100 Million NT\$	51,649.35	48,400.00	49,220.11	106.71	4.94
Money orders (Amount issued)	100 Million NT\$	16,660.41	15,050.00	15,986.20	110.70	4.22

## II. Business Report

Operation Item	Unit	Result this Year	Estimation	Result Previous Year	Accomplishment Rate %	Increase over Previous Year %
Simple Life Insurance(Premium Income)	100 Million NT\$	1,570.86	1,640.00	1,579.82	95.78	-0.57
Agential business (Agential amount)	100 Million NT\$	225.17	861.17	954.14	26.15	-76.40

Note: Agential business previously included payroll credit on military honorable discharge pension fund, which method of payroll was changed to direct remittance and not included in 2013. The 2013 accomplishment rate was 101.75% when added with the payroll credit of 65,108 million NT, down -8.16% compared to the growth last year.

### (II) Capital Utilization

Postal capital is employed in accordance with Article 18 of the Postal Remittances and Savings Act and Article 27 of the Simple Life Insurance Act. As of the end of December 2013, the utilization of postal capital is as follows:

#### 2013 Postal Capital Utilization

Unit: 100 Million NTD

Item	As of the end of December this year (2013)	Percentage in postal capital %	As of the end of December last year (2012)	Increase / Decrease %
Deposits in current accounts (including reserves against deposits in the Central Bank of the R.O.C. and the revolving funds of its branch offices)	2,173	3.64	2,058	5.59
Certificate deposits (including time deposits)	19,122	31.97	19,491	-1.89
Call loans of other banks and short-term bills and notes	11,976	20.02	10,705	11.87
Bonds (including government bonds, corporate bonds and financial bonds)	18,685	31.24	17,841	4.73
Overseas investments	6,210	10.38	5,474	13.45
Stocks and mutual funds (including money invested by investment management companies on behalf of the post office)	1,191	1.99	1,333	-10.65
Mortgage loans on CDs, insurance policies and real estate	441	0.74	403	9.43
Real estate investments	13	0.02	11	18.18
Total	59,811	100.00	57,316	4.35

### (III) Financial Status and Profitability Analysis

In FY 2013, total revenue (including operating revenue and non-operating revenue) stood at NT\$ 286,870.89 million and total expenditures (including operating costs, operating expenses and non-operating expenses) totaled NT\$ 274,262.65 million. Profit before tax was NT\$ 12,608.24 million, the income tax was NT\$ 547.58 million and profit after tax was NT\$ 12,060.66 million, an increase of NT\$ 3,119.23 million over the estimated NT\$ 8,941.43 million approved by the Executive Yuan. The figures for the ROA (return on assets) after tax, ROE (return on equity) after tax and net profit margin for the year were 0.20%, 9.17% and 4.21% respectively.

### (IV) Research and Development

The business units of the company conduct analysis of financial situations both at home and abroad, industrial development and trend on a regular and irregular basis, in addition to preparing project research of other

businesses as operational reference. The general situation of important research development of 2013 is as follows:

1. 355 periodical domestic and international financial situation analysis reports:
  - (1) Domestic and international economic analysis reports (monthly).
  - (2) Domestic fixed income market research and analysis reports (weekly).
  - (3) Domestic stock market research and analysis reports (weekly).
  - (4) International investment research and analysis reports (weekly, monthly).
2. 16 overseas study reports.
3. Two research projects with self-discretion:
  - (1) Current situation and improvement suggestions for mechanical repair work evaluation.
  - (2) Study on feasibility of cloud office.
4. Three research projects that were handled by commissioned experts and academic institutes:
  - (1) Customer Satisfaction Survey of 2013 postal services
  - (2) Study on the company operational risk execution project by Chunghwa Post Co., Ltd.
  - (3) Case studies on Chunghwa Post's investment on auxiliary logistics service station and operation effectiveness investigation and analysis, and the evaluation on commissioned research projects.

## II. 2014 Operation Plan Outlines

### (I) Operation Guidelines

Develop new types of businesses, apply information technology to improve service function and competitiveness; promote optimized industry structure, strengthen e-commerce logistics service; strengthen asset repurposing, increase operation effectiveness; effectively increase postal capital utilization effectiveness, support government major development projects and private investment plans.

### (II) Strategic Goals:

1. Strive for easing of rules and regulations, and develop new businesses of postal savings and life insurance
2. Make good use of information and technology, enhance service performance, improve operating structure and enhance competitiveness
3. Coordinate with cross-strait policy, continue to expand postal communication and remittance operations, and provide the public with convenient services
4. Enhance the effectiveness of postal capital deployment, and continue to support public construction of the government
5. Strengthen asset management and utilization, positively activate real estate assets and improve asset operating performance
6. Strengthen personnel training and manpower utilization, meet business needs and improve job performance

### (III) Operation Goals:

1. Mails: It is estimated that 2,712.66 million pieces of mails will be handled.



## II. Business Report

2. Philately: It is estimated that philately revenues will be NT\$ 660 million.
3. Deposit: It is estimated that daily balance will be NT\$ 5,078 billion.
4. Exchange: It is estimated that the amount of exchange will be NT\$ 1,510 billion.
5. Simple life insurance: It is estimated that annual premium income will be NT\$ 155 billion.
6. Agential business: It is estimated that annual amount of agential business will be NT\$ 16,211.52 million.

### (IV) Surplus Goal:

It is estimated that pretax surplus will be NT\$ 10,951.11 million.

